

Executive Summary

Review of Superfund Special Account Reclassifications, Transfers to the Superfund Trust Fund, and Account Closures from FY 2009 through FY 2014 September 2015

As part of the Fiscal Year (FY) 2015 Federal Managers' Financial Integrity Act (FMFIA) process, the Office of Superfund Remediation and Technology Innovation (OSRTI) conducted a review of planned and completed special account reclassifications, transfers of special account funds to the general portion of the Superfund Trust Fund,¹ and special account closures (collectively referred to as "actions" unless otherwise noted). The purpose of this review is to ensure appropriate controls are in place and identify recommendations for improvement in the reclassification, transfer to the Trust Fund, and account closure processes, as appropriate.

The Office of the Inspector General's (OIG) March 2009 report, *Improved Management of Superfund Special Accounts Will Make More Funds Available for Clean-ups*, required the Agency to develop regional and Headquarters controls that include follow-up to make sure planned and/or requested uses (e.g., reclassifications, transfers) of special account funds occur. OSRTI, on behalf of the Special Accounts Senior Management Committee (SASMC), has manually tracked in an excel spreadsheet 1) plans for reclassification, transfer to the Trust Fund, and account closures from work planning and mid-year reviews of special accounts, 2) draft and final notifications received by Headquarters for these actions, and 3) completed actions entered into the financial system.

Summary of Analysis

OSRTI's review of available data from FY 2009 to FY 2014 found that, on average:

- Of the reclassifications planned in a given fiscal year
 - 50% of the accounts completed a reclassification
 - 50% of the accounts did not complete a reclassification
 - 31% were planned for the following fiscal year
 - 19% were planned/used for a different use
- Of the transfers to the Trust Fund planned in a given year
 - 38% of the accounts completed a transfer
 - 62% of the accounts did not complete a transfer
 - 28% were planned for the following fiscal year
 - 34% were planned/used for a different use
- Of the account closures planned in a given year
 - 35% of the accounts completed the closure
 - 65% of the accounts did not complete the closure
 - 36% were planned for the following fiscal year
 - 29% remained open and were no longer planned for closure

¹ For the purposes of this analysis and review, transfers to the general portion of the Superfund Trust Fund include receipts transferred to the Superfund Trust Fund and special account interest liabilities reduced and made available for appropriation.

Despite efforts to streamline notification requirements, the percentage of planned actions completed in a given fiscal year has remained relatively steady. Prior to FY 2011, regions were required to submit formal memorandums from the regional Superfund Division Director to Headquarters for all reclassifications, transfers to the Trust Fund, and account closures to be completed. Beginning in FY 2011, regions were required to send formal notification memorandums only for actions that would be equal to or greater than \$200K. Notification requirements for actions less than \$200K could be accomplished by copying Headquarters staff on email requests to the Cincinnati Finance Center (CFC) for those actions to be completed. The data did not demonstrate a noticeable sustained shift in the number of actions completed less than \$200K versus greater than \$200K based on the change in memorandum requirements in FY 2011.

Under the work planning and mid-year review process outlined in the Special Accounts Data Monitoring Plan, planned reclassifications, transfers to the Trust Fund, and account closures are reviewed, updated, and follow-up conducted as necessary. Through this review process, regions may update their plans for use of special account funds based on the best information available at the time. The semi-annual reviews ensure the funds are appropriately planned in accordance with guidance. Regions are required to notify Headquarters prior to actions being completed. Headquarters manually tracks notifications received in logs and excel files, and reconciles the data to work planning and mid-year planning data and actions completed each quarter. CFC similarly tracks requests they receive and complete separately. While this review found that for 88% or more of completed actions Headquarters received a notification, there were instances where Headquarters did not receive a notification. All of the transactions where Headquarters did not receive a notification were for amounts less than \$200K. Without being notified, Headquarters cannot assure that all requested actions were completed or follow-up conducted. Current tracking by OSRTI also does not identify the reason that requested actions may not be completed (e.g., negative fund balances that need to be corrected before an account can be closed).

Summary of Recommendations

EPA's current process for reviewing and updating planned uses for available special account funds is sufficient to ensure that funds identified for possible reclassification and/or transfer to the Trust Fund, and account closures, are completed, or if not completed and not planned in a subsequent fiscal year are appropriately planned for use at the site.

There are improvements that can be made to the notification and tracking process for reclassification, transfer to the Trust Fund, and account closure actions. The following recommendations will be proposed to the SASMC with the goal of streamlining the notification process, providing better internal controls for the tracking and approval of requested actions, and documenting the final disposition of a requested action.

- Centralize and automate requests (notifications) for reclassifications, transfers to the Trust Fund, and account closures through either the Superfund Enterprise Management System (SEMS) or SharePoint.
- Include in the tracking of requested actions the reason it is not completed.
- Develop a checklist or form for regions to complete for all requests (notifications) rather than submitting emails/memorandums.
- Discuss with the SASMC and regions the appropriate level of approval/notification for requested reclassification, transfer to the Trust Fund, and account closure actions.